



P A S O F I N O G O L D

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)



P A S O F I N O G O L D

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Pasofino Gold Ltd., formerly Enforcer Gold Corp (the "Company"), for the six months ended October 31, 2019 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professionals Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Pasofino Gold Limited
Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

	Notes	As at October 31, 2019 \$	As at April 30, 2019 \$
Assets			
Current assets			
Cash and cash equivalents	7	166,178	146,606
Taxes and other receivables	6, 10	13,840	109,893
Prepaid expenses		38,971	6,473
Total Current Assets		218,989	262,972
Non-Current assets			
Property, plant and equipment		-	7,290
Total Non-Current Assets		-	7,290
Total Assets			270,262
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	9	140,800	441,974
Total Current Liabilities		140,800	441,974
Total Liabilities		140,800	441,974
Shareholders' Equity (Deficiency)			
Capital stock	11b	9,047,276	9,123,733
Contributed surplus		3,595,358	3,073,904
Deficit		(12,564,745)	(12,369,349)
Total Shareholders' Equity (Deficiency)		78,189	(171,712)
Total Liabilities and Shareholders' Equity (Deficiency)		218,989	270,262

Nature of Business and Going Concern (Note 1)
Commitments and Contingencies (Notes 8 and 14)
Subsequent Events (Note 17)

These consolidated financial statements are authorized for issuance by the Board of Directors on December 13, 2019.

Approved on behalf of the Board of Directors: (Signed) "Stephen Dunn" (Signed) "Christian Scovenna"
Director Director

The accompanying notes are an integral part of these Consolidated Financial Statements.

Pasofino Gold Limited
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Months Ended		Six Months Ended	
		October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
		\$		\$	
Expenses					
Exploration expense	8, 10, 16	-	-	-	-
Office and general	10, 15	2,225	44,885	30,715	72,726
Advertising and promotion		-	10,776	-	28,802
Professional fees	10, 15	92,838	20,445	119,719	36,161
Management fees	10	15,000	-	33,000	-
Communications and travel		1,580	5,570	1,815	8,085
Loss before the undernoted		111,642	(81,676)	185,249	(145,774)
Foreign exchange (gain) or loss		-	116	5	302
Interest income		-	-	-	-
Finance expense		1,426	-	10,142	-
Write-off of mineral properties		-	(20,360)	-	(72,605)
Flow-through share premium		-	128,865	-	194,341
Net loss and comprehensive loss		(113,069)	26,945	(195,396)	(25,736)
Loss per share - basic and diluted	13	(0.01)	(0.00)	(0.02)	(0.00)
Weighted average number of common shares outstanding		10,377,730	7,154,304	8,779,904	7,154,304

The accompanying notes are an integral part of these Consolidated Financial Statements.

Pasofino Gold Limited
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)(unaudited)
(Expressed in Canadian Dollars)

	Common Shares	Capital Stock	Shares to be Issued	Contributed Surplus	Subscriptions Receivable	Deficit	Total
		\$	\$	\$	\$	\$	\$
Balance as at April 30, 2018	7,154,301	9,119,567	-	3,073,904	-	(10,453,087)	1,740,384
Net loss for the period	-	-	-	-	-	(25,736)	(25,736)
Balance at July 31, 2018	7,154,301	9,119,567	-	3,073,904	-	(10,478,823)	1,714,648
Balance as at April 30, 2019	7,182,078	9,123,733	-	3,073,904	-	(12,369,349)	(171,712)
Issue of shares for cash	6,000,000	450,000	-	-	-	-	450,000
Share Issuance Costs	-	(4,703)	-	-	-	-	(4,703)
Warrants issued	-	(521,754)	-	521,754	-	-	-
Net loss for the period	-	-	-	-	-	(195,396)	(195,396)
Balance at July 31, 2019	13,182,078	9,047,276	-	3,595,658	-	(12,564,745)	78,189

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Pasofino Gold Limited
Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)

	Six months ended		
	Notes	October 31, 2019	October 31, 2018
		\$	\$
Operating activities			
Net loss for the year		(195,396)	(25,736)
Items not affecting cash:			
Software		7,289	-
Write-off mineral properties		-	72,605
Flow-through share premium		-	(192,341)
Net change in non-cash working capital items:			
Taxes and other receivables		96,053	29,786
Prepaid expenses		(32,499)	(279,311)
Accounts payable and accrued liabilities		(301,173)	206,730
Net cash used in operating activities		(425,726)	(188,267)
Investing activities			
Purchase of property, plant and equipment		-	-
Expenditures on mineral properties		-	(904,552)
Net cash used in investing activities			(904,552)
Financing activities			
Share subscriptions		445,298	-
Net cash provided by financing activities		-	-
Change in cash and cash equivalents		19,572	(1,092,819)
Cash and cash equivalents, beginning of year		146,606	1,421,413
Cash and cash equivalents, end of year		166,178	328,593

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Pasofino Gold Limited
Notes for the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
(unaudited)
For the six months ended October 31, 2019

1. Nature of Business and Going Concern

Pasofino Gold Limited, formerly Enforcer Gold Corp. (the "Company") was incorporated on August 18, 2010 under the *Business Corporations Act* of British Columbia. On January 31, 2013, the Company entered into an agreement to acquire all the issued and outstanding common shares of Bethlehem Iron Ore Corp. ("Bethlehem"), a private company incorporated in Nevada. On April 19, 2013, the Company completed its Qualifying Transaction, and as a result, the Company ceased to be a CPC and commenced trading as a Tier 2 Mining Issuer on the TSX-V under the new trading symbol "NRL.V". In early 2017, the ticker was changed to "VEIN".

The principal business of the Company is the acquisition, exploration and development of mineral properties located in Quebec, Canada.

The Company's head office, principal address, and registered and records office is 725 Evans Court, Kelowna, British Columbia, V1X 6G4.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next 12 months. At October 31, 2019, the Company had an accumulated deficit of \$12,564,745 since inception (April 30, 2019 - \$12,369,349), expects to incur further losses in the development of its business, and had a net working capital of \$78,189 (April 30, 2019 - \$(179,002)).

The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from raising equity capital and/or borrowing sufficient funds to meet current and future obligations. In order to continue as a going concern and meet its corporate objective, the Company will require additional financing through debt or equity issuances or other available means. However, there is no assurance that the Company will continue to be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Pasofino Gold Limited
Notes for the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
(unaudited)
For the six months ended October 31, 2019

2. Basis of Preparation

These condensed consolidated interim financial statements are prepared in accordance with IFRS, including International Accounting Standards (“IAS”) 34, Financial Reporting, as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements have been prepared on a going concern basis, under historical cost convention. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The principal accounting policies and critical estimate and judgements used when compiling these financial statements are set out below. These condensed consolidated interim financial statements were approved by the Board of Directors on December 13, 2019.

3. Significant Accounting Policies

a) Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Bethlehem. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

b) Functional and Presentation Currency

Items included in the condensed consolidated interim financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”), which was determined to be Canadian dollars. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s presentation currency. Transactions in currencies other than the Canadian dollar are translated at rates at the time of the transactions as follows:

- (i) Monetary assets and liabilities are translated at current rates of exchange at each reporting date with the resulting gain or losses recorded in foreign exchange gain/loss in the condensed consolidated interim statement of loss;
- (ii) Non-monetary items are translated at historical exchange rates and are not retranslated; and
- (iii) Expense items are translated at the rates of exchange prevailing on the dates of the transactions.

c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit with banks and cash held in escrow with the Company’s legal counsel.

d) Flow-through Shares

The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the flow-through common shares are offered. The allocation

3. Significant Accounting Policies (continued)

d) Flow-through Shares (continued)

is made based on the difference ("premium") between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized which is recorded in the condensed consolidated interim statement of loss, in the period the eligible expenditures are incurred.

e) Exploration Expenditures

Mineral property acquisition costs are expensed as incurred. Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

f) Loss per Common Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding stock options and warrants were anti-dilutive for the six months ended October 31, 2019 and 2018.

g) Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h) Equipment

Equipment is stated at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. Amortization is provided on a declining balance basis over the estimated useful lives of the equipment using the following rate:

- Computer equipment – 30%

3. Significant Accounting Policies (continued)

i) Financial Instruments

Accounting policy under IFRS 9 applicable from May 1, 2018

Financial assets and liabilities

Accounting policy under IFRS 9 as applicable from May 1, 2018

Effective May 1, 2018, the Company adopted IFRS 9, Financial Instruments with respect to financial assets and financial liabilities.

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the condensed consolidated interim statements of loss and comprehensive loss. The Company’s cash and cash equivalents and other receivables are measured at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the condensed consolidated interim statements of financial position with changes in fair value recognized in other income or expense in the condensed consolidated interim statements of loss and comprehensive loss. The Company’s does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the condensed consolidated interim statements of loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

3. Significant Accounting Policies (continued)

i) Financial Instruments (continued)

Dividends from such investments are recognized in other income in the condensed consolidated interim statements of loss and comprehensive loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the condensed consolidated interim statements of loss and comprehensive loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the condensed consolidated interim statements of loss and comprehensive loss.

Accounting policy under IAS 39 applicable prior to May 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was as follows:

Fair Value Through Profit or Loss ("FVTPL"): Financial assets are classified as FVTPL when acquired principally for trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the condensed consolidated interim statement of loss. The Company has no financial assets classified as FVTPL.

3. Significant Accounting Policies (continued)

i) Financial Instruments (continued)

Loans and Receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company's cash and cash equivalents and other receivables are classified as loans and receivables.

Other Financial Liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Impairment of Financial Assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets except for amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

j) Critical Accounting Judgements and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current

3. Significant Accounting Policies (continued)

j) Critical Accounting Judgements and Estimates (continued)

and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, if actual results differ from assumptions made, relate, but are not limited to, the following:

Stock options and warrants

The Black-Scholes option valuation model used by the Company to determine fair values for stock-based compensation was developed for use in estimating the fair value of freely traded options. This model requires input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Asset acquisition

The assessment of whether an acquisition meets the definition of a business, or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. Any excess of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The acquisition of a business generally has three elements: Input – an economic resource that creates outputs when one or more processes are applied to it; Process – a system, standard, protocol, convention or rule that when applied to an input or inputs, creates outputs; Output – the result of inputs and processes applied to those inputs.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

Refer to Notes 8 and 14.

k) New Accounting Standards Issued but Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after May 1, 2019. Many are not applicable or are not expected to have a significant impact to the Company and have been excluded. The Company has not yet assessed the potential impact, if any, that these standards may have on its condensed consolidated interim financial statements. The following have not yet been adopted:

3. Significant Accounting Policies (continued)

k) New Accounting Standards Issued but Not Yet Applied (continued)

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 16 - Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company’s operating leases. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company’s profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after January 1, 2019.

IFRIC 23 – Uncertainty Over Income Tax Treatments

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019.

l) New and Amended Standards Adopted by the Company

IFRS 9, Financial Instruments

Effective May 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at May 1, 2018. There were no effects on opening balances at May 1, 2018 with respect to the adoption of this policy.

Pasofino Gold Limited
Notes for the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
(unaudited)
For the six months ended October 31, 2019

3. Significant Accounting Policies (continued)

I) New and Amended Standards Adopted by the Company (continued)

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the six months ended October 31, 2019 was accounted for in accordance with the Company’s previous accounting policy under IAS 39.

IFRS 6, *Exploration and evaluation of mineral resources*

During 2019, the Company changed its accounting policy of capitalizing exploration expenditures. See Note 16 for details of the impact on the condensed consolidated interim financial statements.

4. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company defines capital to include its capital stock, warrants, and contributed surplus components of its shareholders’ equity. The properties in which the Company currently has an interest are in the early exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company’s approach to capital management during the six months ended October 31, 2019 and 2018.

Pasofino Gold Limited
Notes for the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
(unaudited)
For the six months ended October 31, 2019

5. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair values due to their short-term nature. The three levels of fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and

Level 3 - Inputs for assets or liabilities that are not based on observable market data

The Company had no financial instruments to classify in the fair value hierarchy at October 31, 2019 and 2018.

6. Financial Risks Factors

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on deposits with banks and cash held in escrow with the Company's legal counsel. Included in taxes and other receivables is \$2,010 (April 30, 2019 - \$94,293) relating to sales taxes payable to various Canadian governments. The remaining balance of \$15,600 (April 30, 2019 - \$15,600) relates to expense reimbursements due from third parties. Management believe that the credit risk concentration with respect to its financial instruments is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at October 31, 2019, the Company had cash and cash equivalents and taxes and other receivable balances of \$180,018 (April 30, 2019 - \$256,498) to settle current liabilities of \$140,800 (April 30, 2019 - \$441,974). All the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company remains dependent upon financing from capital markets.

Market Risk

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to limited interest rate risk, as it only holds cash and does not have any interest-bearing debt.

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6. Financial Risks Factors (continued)

Market Risk (continued)

ii) Foreign Currency Risk:

The Company also holds a bank account denominated in United States dollars; therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar. However, as at October 31, 2019 and 2018, the Company had a minimal balance in its US bank balance; therefore, any change in the Canadian dollar versus the United States would be insignificant.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	October 31, 2019	April 30, 2019
	\$	\$
Cash deposit	161,264	141,692
Cash held in escrow	4,914	4,914
	166,178	146,606

8. Mineral Properties

Exploration and evaluation expenditures incurred during the six months ended October 31, 2019 and 2018 are as follows:

	October 31, 2019	October 31, 2018
(a) <u>Montalembert Property</u>		
Exploration expenditures	-	52,245
(b) <u>Roger Property</u>		
Exploration expenditures	-	217,752
Total Exploration expenses	-	269,997

Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all its exploration and evaluation assets and, to the best of its knowledge, title to all its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

8. Mineral Properties (continued)

Realization of assets

Realization of the Company's investment in these properties is dependent upon the establishment of legal ownership, obtaining of permits, satisfaction of governmental requirements and possible aboriginal claims, and attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards of an ore body if discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation and believes its operations are materially in compliance with all applicable laws and regulations. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

a) Montalembert Gold Property

On November 17, 2016, the Company announced that it had entered into an option agreement with Globex Mining Enterprises ("Globex") to acquire a 100% interest in the Montalembert Gold Property located 120 kilometres west of Chibougamau in central Quebec. On October 30, 2017 the Company and Globex entered into an amended agreement as follows:

Terms of the Option

Pursuant to the amended agreement, the Company shall have the option to earn an undivided 100% right, title, and interest in the Property (the "Option"), subject to a Gross Metal Royalty, by making aggregate cash payments to Globex of \$2,700,000, issuing an aggregate of 944,444 common shares and incurring aggregate exploration expenditures of \$10,000,000 on the Property as follows:

- (i) Paying \$2,700,000 in cash to Globex as follows:
 - \$300,000 on or before November 16, 2016 (paid);
 - \$300,000 on or before November 16, 2017 (paid);
 - \$500,000 on or before November 16, 2018; and
 - \$1,600,000 on or before November 16, 2019.

- (ii) Issuing 944,444 common shares of Pasofino to Globex as follows:
 - 166,667 common shares on or before the tenth business day after TSX Venture Exchange acceptance of this Option Agreement but no later than November 16, 2016 (issued);
 - 222,222 common shares on or before November 16, 2017 (issued);
 - 222,222 common shares of on or before November 16, 2018; and
 - 333,333 common shares of on or before November 16, 2019.

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8. Mineral Properties (continued)

a) Montalembert Gold Property (continued)

Terms of the Option (continued)

(iii) Incurring aggregate exploration expenditures of \$10,000,000 on the Property as follows:

- \$1,000,000 in exploration expenditures to be completed on or before November 16, 2017 (incurred);
- An additional \$1,000,000 in exploration expenditures to be completed on or before November 16, 2018; incurred
- an additional \$1,000,000 in exploration expenditures to be completed on or before November 16, 2019;
- an additional \$2,000,000 in exploration expenditures to be completed on or before November 16, 2020; and
- an additional \$5,000,000 in exploration expenditures to be completed on or before November 16, 2021.

The cash and share payments to be made by the Company prior to November 16, 2017 and the exploration expenditure to be incurred prior to November 16, 2018, are firm commitments and must be made even in the event that the Company terminates this Option Agreement and chooses not to exercise the Option. As at April 30, 2018, all firm commitments have been met.

On August 17, 2018 the Company announced that it has terminated its option to acquire an interest in the Montalembert Gold Property.

a) Roger Property

On January 11, 2018, the Company announced that it had entered into an option and joint venture agreement with SOQUEM Inc. ("SOQUEM") to acquire a 50% interest in the Roger Property 5 km from Chibougamau, Quebec.

Terms of the Agreement

Under the terms of the option agreement (the "Option"), the Company can earn a 50% undivided interest in the property after an investment of \$2,000,000 is made in a work program over 3 years and 111,111 common shares of the Company are issued to SOQUEM as follows:

(i) Financing \$2,000,000 in work program as follows:

- \$500,000 on or before January 8, 2019 (incurred);
- \$750,000 on or before January 8, 2020 (incurred); and
- \$750,000 on or before January 8, 2021.

(ii) Issuing a total of 111,111 common shares of Pasofino to SOQUEM as follows:

- 27,778 on or before January 8, 2019 (issued during 2019 with an estimated value of \$4,166 based on the quoted market price of the Company's shares on the date of issuance);
- 27,778 on or before January 8, 2020; and
- 55,555 on or before January 8, 2021.

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8. Mineral Properties (continued)

b) Roger Property (continued)

The option can be earned prior to the end of the 3-year period if the Company completes the work requirement and issues the common shares earlier.

SOQUEM will act as the sole manager of the Property prior to the exercise of the Option and will add a 10% management fee to the funds they manage, or in the case of third party work a 5% management fee. Upon exercise of the Option, a joint venture (the "Joint Venture") will be established to continue the exploration and potential development, construction, commercial production, mine closure and rehabilitation. Prior to the establishment of the Joint Venture, it is deemed that each party has contributed \$2,000,000 to the Property.

Subsequent contributions to the Property will determine the interest of each party moving forward. If both parties agree to spend their relative proportion, the Joint Venture will continue as a 50-50 basis.

9. Accounts Payable and Accrued Liabilities

	October 31, 2019	April 30, 2019
	\$	\$
Accounts payable	19,800	305,674
Accrued liabilities	121,000	136,300
	141,800	441,974

10. Related Party Transactions

During the six months ended October 31, 2019 and 2018, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed consolidated interim financial statements:

Summary compensation of key management:

	Three Months Ended		Six Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
	\$	\$	\$	\$
Salaries	-	23,516	-	43,019
Management fees	15,000	-	33,000	-
Professional fees	16,000	-	31,000	-
Share-based compensation	-	-	-	-
	31,000	23,516	64,000	43,019

As at October 31, 2019, key management includes 3 directors and 2 members of the executive management team. Included in taxes and other receivables at October 31, 2019 is \$15,600 (April 30, 2019 - \$15,600) owing from a corporation with certain directors and officers in common with the Company. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

As at October 31, 2019, the Company has a balance payable of \$2,000 to certain directors (April 30, 2019 - \$33,250) which is due on demand, unsecured and non-interest bearing.

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11. Capital Stock

- a) Authorized – Unlimited common shares without par value.
- b) Issued – 13,182,078 common shares
- i) On July 25, 2019, the Company consolidated its outstanding common shares on a one-for-three basis. All share and per share figures in these consolidated financial statements have been presented on a retroactive basis showing the effect of both share-consolidations.
- ii) On September 13, 2019 the Company closed a non-brokered private placement of 6,000,000 units of the Company (“the Units”) at a price of \$0.075 per unit for gross proceeds of \$450,000. Each Unit is comprised of one common share of the Company and one Common Share purchase Warrant. Each Warrant entitles the holder to purchase one Common Share for \$0.12 until the date that is twenty-four (24) months from the closing of the Offering. In connection with the Offering, the Company has agreed to pay commissions in the aggregate amount of \$4,703 to eligible finders, in accordance with the rules of the Exchange.
- c) Stock options

The Company has adopted a stock option plan (the “Option Plan”), which provides that the Board of Directors of the Company may, from time to time, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares. The expiry date for each option shall be set by the Board of Directors at the time of issue and shall not exceed ten years. A vesting schedule may be imposed at the discretion of the Board of Directors at the time of issue. During any twelve-month period, the number of shares issuable to any one optionee shall not exceed 5% of the total number of issued and outstanding shares of the Company. The number of shares that may be reserved for issuance shall not exceed 20% of the total number of issued and outstanding shares of the Company.

During the six months ended October 31, 2019, 463,888 stock options were cancelled.

The following table summarizes the stock option transactions during the six months ended October 31, 2019:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2019	463,888	\$2.70
Cancelled	(463,888)	(\$2.70)
Balance, October 31, 2019	-	-

- d) Warrants

Additional information regarding warrants outstanding and exercisable as at October 31, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2019	275,170	\$1.80
Expired	(275,170)	(\$1.80)
Issued	6,000,000	\$0.12
Balance, October 31, 2019	6,000,000	\$0.12

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11. Capital Stock (continued)

d) Warrants (continued)

During the six months ended October 31, 2019, 275,170 non-exercised warrants expired. No warrants were exercised during the six months ended October 31, 2019 and 2018. On September 13, 2019, 6,000,000 warrants were issued as part of the private placement.

12. Loss Per Share

	Three Months Ended		Six Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Loss attributable to common shareholders	(113,068)	15,640	(195,396)	(25,736)
Weighted average number of shares outstanding – basic and diluted	10,377,730	7,154,303	8,779,904	7,154,303
Loss per share – basic and diluted	(0.01)	0.00	(0.02)	0.00

13. Commitments and Contingencies

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder because of the Company not meeting its expenditure commitments.

14. Supplementary Expense Information

Office and General:	Three Months Ended		Six Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
	\$	\$	\$	\$
Salaries	-	31,190	-	53,642
Administration and other expenses	(4,257)	5,918	6,441	9,764
Regulatory and shareholder filing fees	6,481	7,778	24,274	9,321
	2,224	44,885	30,715	72,726

Professional Fees:	Three Months Ended		Six Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
	\$	\$	\$	\$
Corporate secretary fees	1,840	3,607	4,765	5,355
Consulting fees	79,604	-	98,604	11,628
Legal and audit fees	11,394	16,838	16,350	19,178
	92,838	20,445	119,719	36,161